Also, because LVT is largely meant to *replace* other taxes, not supplement them, it would enable taxes on labour and expertise to be phased out, which in turn would reduce the capital and running costs of transport networks and make many more schemes appear to offer 'value for money' than at present. Ventures such as London's Crossrail, the East Coast high speed link, and improved rail freight services to take pressure off roads and cut pollution, would all start to seem viable.

Similarly, transport networks in outlying and marginal regions would also revive and so allow a refreshing decentralisation of industry and commerce from overcrowded and overblown conurbations to more naturally-sized towns and villages where people could cut the stress and pollution of travelling by living closer to their work. So when one next stands in a crammed commuter train, or joins the torrent of metal pouring along any motorway, one might reflect what a difference LVT might make.

Liberal Democrat

Action for Land Taxation

and Economic Reform

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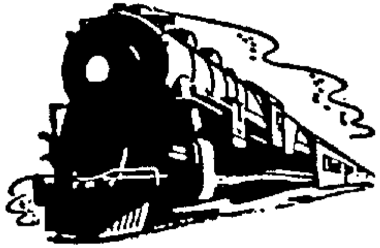
ACTION FOR LAND TAXATION & ECONOMIC REFORM

LAND VALUE TAX AND TRANSPORT



In East London, as the new rail link from Dalston Junction to West Croydon nears completion, house prices along the route are already rising. In March 2010, "The Times" reported a Croydon estate agent as saying; "*People are already talking about the extension (from Dalston) because it will have an impact on prices. It will make a psychological difference for the 300,000 residents of Croydon to be on the Tube map. There could be a migration of City workers to West Croydon…and a new development of 330 apartments has sold right away*."

Time and again, locations are seen to become more valuable as a direct result of improvements in transport infrastructure. Suburban house prices rise when commuters enjoy reduced journey-to-work times. Land prices rise near new strategic motorway intersections due to demand from warehousing, and retail hypermarkets. Expansion by airports encourage demand for surrounding land by hotels, conference centres and business parks. Land values round stations planned for Eurostar rose in anticipation of demand from hotels, high threshold retailing and tourism.

Most transport infrastructure projects are funded by taxation, which, in its present form, is largely unable to tap into the considerable land value gains that transport developments can bring. By drawing public revenue from the value of sites, LVT would remedy this. Moreover the costs of a scheme would fall precisely on the areas that benefited, and current conflicts such as the reluctance of urban taxpayers to fund rail and bus services in rural areas would become a thing of the past. In effect, through LVT, existing and new transport links would become largely self-financing.

Naturally, a transport system will also have its own income from fares or tolls. But, if these are not to be exorbitantly high, they ought not to be expected to do more than cover running costs – staff wages, routine track maintenance, fuel etc. What about the immense capital outlay for tunnels, track, bridges, motorway intersections, land purchase etc. plus its attendant interest charges?

Through the failure to consider recouping the enhancement of site values, much of this capital burden falls on the travelling public, while the rest of the cost is met by a dysfunctional taxation system that expects people in remote areas, who usually benefit least from the transport infrastructure, to pay the same levels of PAYE and VAT as those who benefit most.

The effect of all this is that, in spite of the indispensable role transport plays in the health of the economy, most of the transport infrastructure is said to be unprofitable, only kept alive by grudging subsidies from public funds, and rarely sufficient to meet the demands placed on it – as anyone who travels on the London Underground knows too well.

ACTION FOR LAND TAXATION & ECONOMIC REFORM

The necessity of financing transport from land value was perceived long ago. In 1938 the vice-chairman of London Transport stated clearly to the Barlow Commission that, when a railway was built, adjacent land quadrupled in value, and that because earnings from fares were inadequate to fund the capital costs, it was in the public interest that London Transport should receive its appropriate share of land value.

Similarly in 1989, when the London’s Jubilee Line extension was being planned, government ministers and advisors talked of the need for contributions from property owners and developers who stood to gain from the new line. Later, a study of the line’s actual enhancement of local site values concluded that the increases were something like four times the line’s construction costs.

One developer along that route did in fact make a one-off payment towards the initial construction costs, but contributions from site values need to be *on-going*, otherwise there is no provision for future recapitalisations to upgrade technologies or meet new patterns of demand. Without regular funding from site values, upgrades will necessitate loans against future earnings - later generations haunted by debt – the effects of which are all too evident today.

Flawed attempts to recoup increased site values were also made by levying charges when planning permission is granted. Such a process misses the vital fact that new lines enhance values of all sites with development potential, *even if they are not developed*.

Site owners who choose not to develop still benefit from a transport upgrade without having to contribute to it. LVT overcomes this by collecting revenue even if a site is not redeveloped, which would stimulate development and increase employment.

LVT stops the land value created by local transport improvements leaking away to those who have not paid for them.